

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

SBC Communications, Inc.)
SBC Delaware Inc.)
Ameritech Corporation)
Illinois Bell Telephone Company d/b/a)
Ameritech Illinois and Ameritech Illinois)
Metro, Inc.)

98-0555

Joint Application for approval of the)
reorganization of Illinois Bell Telephone)
Company d/b/a Ameritech Illinois, and the)
reorganization of Ameritech Illinois Metro,)
Inc. in accordance with Section 7-204 of the)
Public Utilities Act and for all other)
appropriate relief)

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ILLINOIS
COMMERCE
COMMISSION

DIRECT TESTIMONY OF

DANIEL GONZALEZ

ON BEHALF OF NEXTLINK ILLINOIS, INC.

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1 Q. Please state your name and business address for the record.

2
3 A. My name is Daniel Gonzalez and my business address is 1730 Rhode Island Avenue,
4 N.W., Suite 1000, Washington D. C. 20036.

5
6 Q. By whom are you employed and in what capacity?

7
8 A. I am employed by NEXTLINK Communications, Inc. as Director, Regulatory Affairs.

9
10 Q. Please provide a summary of your relevant professional and educational experience.

11
12 A. Prior to joining NEXTLINK Communications, Inc. in September 1997, I served as Legal
13 Advisor to Federal Communications Commission ("FCC") Commissioner Rachelle B. Chong
14 from February 1996 until September 1997. My primary responsibility in that position was to
15 advise Commissioner Chong on legal and policy matters relating to the regulation of domestic
16 telecommunications common carriers. From June 1995 until February 1996, I served as Legal
17 Assistant to the Chief of the FCC's Common Carrier Bureau. In that position I advised the
18 Common Carrier Bureau Chief on a range of policy and legal matters including, but not limited
19 to: federal tariffing, video dialtone, jurisdictional separations, and the FCC's accounting and
20 auditing functions. Previously, from September 1990 until June 1995, I served as a staff attorney
21 in the Common Carrier Bureau's Policy and Program Planning Division and Accounting and
22 Audits Division.

23
24 I obtained a Juris Doctor degree in 1990 from the Hofstra University School of Law and a
25 Bachelor of Arts Degree in Political Science from State University of New York in 1987.

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1
2 Q. Have you previously testified before this commission or other regulatory bodies?

3
4 A. I have not previously testified before the Illinois Commerce Commission (the
5 "Commission"). I have appeared as a witness, on behalf of NEXTLINK Pennsylvania L.L.P.,
6 before the Pennsylvania Public Utility Commission during an arbitration hearing regarding
7 NEXTLINK Pennsylvania's efforts to secure an interconnection agreement with Bell Atlantic.

8
9 Q. What are your overall recommendations to the Commission in this matter?

10
11 A. My recommendation is that the Joint Application should not be approved by this
12 Commission because the acquisition of Ameritech Corporation by SBC Communications, Inc.
13 (the "Joint Applicants") would result in a significant adverse effect on competition in the state
14 and adverse rate impacts on retail customers. It is my opinion, therefore, that this acquisition
15 violates Illinois law. Alternatively, if the Commission nonetheless considers approving the Joint
16 Application, my recommendation is that the Commission impose certain pre-approval conditions
17 and post-approval conditions on the Joint Applicants that are necessary to protect the public
18 interest. These recommendations are based on my analysis of the Joint Application and the
19 experiences of NEXTLINK's California affiliate after SBC acquired Pacific Bell and
20 NEXTLINK's Pennsylvania and New York affiliates after Bell Atlantic merged with NYNEX.

21
22 Q. Are you familiar with the Joint Application filed by the Joint Applicants in this
23 proceeding?

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1 A. Yes. I have reviewed the Joint Application and supporting documents filed by the Joint
2 Applicants in this proceeding.

3
4 Q. Are you familiar with Section 7-204 of the Illinois Public Utilities Act?

5
6 A. Yes. Section 7-204 sets forth the statutory requirements for Commission review and
7 approval of the Joint Application. In particular, that section provides that that the Commission
8 shall not approve the Joint Application unless it finds that among other things, SBC's acquisition
9 of Ameritech is not likely to have a significant adverse effect on competition in Illinois and that
10 it is not likely to have any adverse rate impacts on retail customers.

11
12 Q. Are you familiar with Section 7-205 of the Illinois Public Utilities Act?

13
14 A. Yes. Section 7-205 provides that the Commission "may impose such terms, conditions or
15 requirements as, in its judgement, are necessary to protect the interests of the public utility and
16 its customers."

17
18 Q. Should the proposed acquisition cause any concerns for the Commission under Section 7-
19 204?

20
21 A. Yes. An acquisition of one Bell Operating Company ("BOC") by another will not
22 provide the pro-competitive benefits propounded by the Joint Applicants, but instead, will have
23 anti-competitive results for the local exchange market – both harming existing competition and
24 eliminating a potential competitor to an entrenched Illinois telecommunications provider. The
25 Commission should carefully review the competitive implications of this proposed acquisition,

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1 and take action to ensure a result that does not have a significant adverse effect on competition or
2 any adverse rate impacts on retail customers.

3
4 Q. How do you respond to the position of the Joint Applicants that the acquisition is
5 necessary for them to obtain the scope and scale of a nationwide telecommunications carrier?

6
7 A. In their application filed with the FCC, SBC and Ameritech stated that they intend to
8 enter the thirty largest markets outside their combined service territories within a year of the
9 proposed acquisition. (Merger of SBC Communications, Inc. and Ameritech Corporation,
10 Description of the Transaction, Public Interest showing, and Related Demonstrations (July 24,
11 1998) (hereinafter "SBC -Ameritech Merger Filing")). This Commission should not be
12 distracted, however, by SBC's and Ameritech's emphasis upon their proposed out-of-region
13 strategy and should remain focused on the fundamental facts of the proposed acquisition itself
14 and its impact on existing competition in Illinois. Moreover, there is simply no guarantee that
15 the companies will pursue their stated intention to enter these additional markets, and there are
16 significant reasons to doubt that consummation of the second largest merger in the nation's
17 history is a necessary prerequisite in order to do so. (SBC's and Ameritech's proposed \$62
18 billion combination would be second only in size to the merger of Citibank and Travelers and
19 would be the largest combination of telecommunications companies.)

20
21 Q. What competitive issues should the Commission consider?

22
23 A. The Commission should consider the fact that SBC's "National-Local" strategy would
24 include any Illinois markets that SBC had targeted for competitive entry. If SBC is permitted to
25 acquire Ameritech, obviously SBC's plans to provide a competitive alternative to Ameritech in

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1 those markets will be dropped. For consumers in those Illinois markets then, the scope and scale
2 that SBC and Ameritech seek to achieve in order to compete elsewhere will serve only to bolster
3 Ameritech's existing monopoly over local services.

4 Moreover, the applicants claim additional pro-competitive benefits from the acquisition
5 itself, including cost savings and improvements in their compliance with the market opening
6 requirements of the Telecommunications Act of 1996 ("1996 Act"). Similar to the applicants'
7 effort to promote their out-of-region entry strategy, the claimed benefits of their proposed union
8 do not withstand close scrutiny. The Commission should weigh any claimed benefits against the
9 significant negative impact on the companies' compliance with market opening requirements and
10 the Commission's ability to enforce its local competition rules.

12 Nor should the Commission lose sight of the dramatic impact that this acquisition would
13 have on the local telecommunications market. A combined SBC and Ameritech would dominate
14 the market as the largest local phone company in the United States, with control of more than
15 fifty-seven million phone lines from Chicago to San Francisco. It is in those markets, including
16 Illinois, where SBC and Ameritech have incumbent status, monopoly control, almost one
17 hundred percent market share and ownership of essential facilities that the proposed acquisition's
18 negative effect on competition will be the greatest.

19 Clearly, these factors would produce a significant adverse effect on competition in
20 Illinois.

21
22
23 Q. Are the Joint Applicants' claims that they need greater size to compete in out-of-region
24 markets supported by the facts?

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1 A. In contrast to SBC's and Ameritech's claims that enormous size is necessary to support
2 out-of-region entry, there has been widespread entry by countless new entrants to the local
3 telecommunication industry in markets all across the country. In Illinois alone, several new
4 companies have entered the local market to provide local services in competition with
5 Ameritech. It cannot be emphasized enough that many of these companies, including
6 NEXTLINK, are much smaller than SBC or Ameritech and yet they have been able to begin to
7 pursue market entry on a national scale.

8
9 Both companies' past history contradicts their position that the combination of the two
10 companies is necessary to support out of region entry. For example, Ameritech, until the
11 announcement of the proposed acquisition by SBC, had pursued a strategy to enter out-of-region
12 markets in several states, including Missouri, California and Texas. Ameritech had taken several
13 steps to enter these markets, including obtaining state certification, signing interconnection
14 agreements with the incumbent, SBC, and making announcements that it intended to provide
15 services in key markets in those states. For example, Ameritech was certified as a competitive
16 local exchange carrier in Missouri earlier this year and had announced plans to offer packages of
17 local, long-distance and cellular service to St. Louis residential customers in April, 1998. On
18 January 3, 1998, SBC subsidiary Pacific Bell submitted an interconnection agreement with a
19 wholly owned subsidiary of Ameritech for approval by the California Public Utilities
20 Commission. Finally, an SBC-Ameritech interconnection agreement was approved by the Texas
21 Public Utility Commission in November, 1997. Ameritech's plans to enter these SBC markets,
22 as well as the obvious fact that other far smaller companies have already entered those markets,
23 demonstrates that both SBC and Ameritech already have the ability to compete in out-of-region
24 markets.
25

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1
2 Q. Are there any other reasons why SBC and Ameritech do not need to combine in order to
3 enter out of region markets?
4

5 A. Yes. This is even more apparent after comparing Ameritech or SBC against any
6 competitive local exchange carrier ("CLEC") in the country. The size of either Ameritech or
7 SBC alone dwarfs the local exchange assets of any CLEC. SBC reports that its market value is
8 \$80 billion and that Ameritech has nearly \$28 billion in assets. Despite their significantly
9 smaller size, and the fact that most CLECs did not even exist prior to the 1996 Act, CLECs have
10 begun to provide competitive service in almost every market while these two
11 telecommunications Goliaths continue to sit on the sidelines. SBC and Ameritech's tremendous
12 advantage in size does not even take into consideration the additional advantages that SBC and
13 Ameritech possess as incumbent local exchange carriers ("ILECs") which include their
14 significant operational experience and their existing local exchange facilities. It is clearly not a
15 question of size that has prevented Ameritech and SBC from entering new markets, but rather a
16 business decision to focus on consolidating monopoly control in their existing incumbent
17 territories.
18
19

20
21 Q. What significant barriers to entry have CLECs struggling against these large monopolies
22 faced?
23

24 A. Barriers to entry in local markets are mainly attributable to the actions of incumbents
25 such as SBC and Ameritech that discriminate against new competitors. As we approach the third

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1 anniversary of the passage of the 1996 Act, no ILEC is in compliance with the market opening
2 requirements of the Act and no BOC has met the pro-competitive requirements of the
3 competitive checklist in Section 271. SBC and Ameritech essentially admit their own continuing
4 failure to do so in the application they filed with the FCC, where they state that "This
5 combination is absolutely necessary to... (b) continue and complete the opening of our local
6 markets to competition." (SBC-Ameritech Merger Filing at 4-5.)

7
8 Only last year, the FCC rejected Ameritech's application under Section 271 on the basis
9 of Ameritech's failure to provide competitors with nondiscriminatory access to its operations
10 support systems ("OSS"). Since that time Ameritech has not even pursued Section 271 authority
11 for Illinois or any of its other in-region states. More recently, both the state commission in Texas
12 and the state commission staff in California concluded that SBC had not yet met the
13 requirements of the competitive checklist. (Investigation of Southwestern Bell Telephone
14 Company's Entry into the Texas InterLATA Telecommunications Market, Project No. 16251,
15 Public Utility Commission of Texas, Commission Recommendation (May 21, 1998) (hereinafter
16 "Texas Recommendation"), and the California Public Utilities Commission Telecommunications
17 Division Final Staff Report, Pacific Bell (U 1001 C) and Pacific Bell Communications Notice of
18 Intent to File Section 271 Application for InterLATA Authority in California, October 5, 1998
19 (hereinafter "California Staff Report").) The Public Utility Commission of Texas stated that in
20 order to be granted 271 authority SBC needed to show "by its actions that its corporate attitude
21 has changed and that it has begun to treat CLECs like its customers." (Texas Recommendation
22 at page 2.)

23
24 Both SBC and Ameritech have used every means at their disposal to fight the efforts of
25 this Commission, the FCC and other state commissions to implement local competition rules.

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1 SBC, after supporting the passage of the Telecommunications Act, in an about face, sued to
2 overturn the provisions of the 1996 Act that forced it to open its local markets to competition.
3 For its part, Ameritech has continued to refuse to pay CLECs legitimate reciprocal compensation
4 payments despite clear contractual obligations to do so and after almost every body of competent
5 jurisdiction has rejected Ameritech's arguments to the contrary. Neither company should be
6 allowed to leverage their refusal to comply with the requirements of the 1996 Act into a
7 justification for further consolidation of monopoly control.
8

9
10 Q. Do the benefits claimed by the Joint Applicants ameliorate the significant adverse impact
11 on competition that you have attributed to the proposed acquisition?
12

13 A. No. SBC and Ameritech claim that SBC's acquisition of Ameritech
14 will produce numerous synergies, result in unprecedented pro-
15 competitive effects, and lead to substantial benefits for the
16 combined companies' current and future customers, both inside
and outside of the companies' traditional service areas. (SBC-
Ameritech Merger Filing at pages 1-2.)

17 SBC and Ameritech claim that their combined operations will result in significant cost savings,
18 promote innovation, and improve their ability to comply with the market-opening requirements
19 of the 1996 Act.
20

21 As an initial matter, the effort to combine the companies will have a tremendous cost in
22 terms of energy and focus that will detract from the ability of the companies to engage in other
23 activities such as compliance with the competitive requirements of the 1996 Act. Because of the
24 efforts required to implement the acquisition, the combined entity will have fewer, not greater,
25 resources to concentrate on innovation and the development and deployment of advanced

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1 services. It is also unclear where the combined company will eliminate "duplicative" costs to
2 achieve the economies of scale that SBC and Ameritech claim will result from the acquisition.
3 SBC and Ameritech have stated publicly that this acquisition will not result in a loss of jobs.
4 (ICC merger open meeting transcript at page 21.) The combination of network facilities and
5 operations support systems in and of itself is also not likely to be a source of savings because
6 both companies have significant investments in different and conflicting legacy systems. In
7 addition, neither company alone has yet completed providing competitors with
8 nondiscriminatory access to the legacy systems within each company. The effort needed to
9 integrate the vast number of separate systems used by the two carriers will only serve to delay
10 the work necessary to provide competitors with nondiscriminatory access to their OSS functions.
11 Because of the tremendous amount of work necessary, the effort to achieve significant savings
12 through combining operations is unlikely to succeed in the near term.

14 Most importantly, the Commission should take great care to determine the real impact
15 this proposed acquisition would have on Illinois. For example, the promise by SBC and
16 Ameritech that there will be no net job loss does not mean that Illinois could not see a reduction
17 in work force. The new merged company might maintain the same number of jobs, but that
18 would not prevent it from significantly reducing the number of jobs in Illinois while increasing
19 the number of positions in San Antonio. SBC and Ameritech's current explanations of their
20 proposed acquisition do not provide sufficient information for the Commission to make an
21 informed choice on what the real impact of this transaction would be for Illinois.

23 In sum, the claimed benefits are illusory to Illinois and no competitive benefits are
24 discernable.

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1 Q. Are other BOC mergers relevant to this proceeding?

2
3 A. Yes. Since the passage of the 1996 Act, there have been two mergers between BOCs. In
4 February, 1997, SBC acquired Pacific Telesis, and in August, 1997, Bell Atlantic completed its
5 acquisition of NYNEX. The Commission should take these two previous consolidations into
6 account when reviewing the currently proposed acquisition, and the Commission should review
7 the impact each previous merger had on competitive conditions in the relevant local markets and
8 the extent to which the promises of the merging companies have not been met. Compared to the
9 previous two mergers between BOCs, this proposed acquisition would lead to an even greater
10 consolidation of market control and reduce the number of BOCs from five to four. The merged
11 company would have control of over fifty-seven million access lines nationwide. Based on the
12 results of previous BOC consolidations, this proposed acquisition will lead not only to greater
13 consolidation, but a deterioration in the companies' compliance with the pro-competitive
14 requirements of the 1996 Act. In fact, NEXTLINK's experience is that both SBC and Bell
15 Atlantic, after their previous mergers, have spread the most egregious and anti-competitive
16 policies and activities throughout their post-merger service territories. This "lowest common
17 denominator" approach has significantly damaged the environment for local competition in Bell
18 Atlantic's and SBC's territories where new entrants now face larger incumbents employing an
19 expanded array of anti-competitive tactics.
20

21
22 Furthermore, the continued reduction in the number of incumbent carriers will deprive
23 the Commission of valuable comparative information concerning the different levels of
24 performance of incumbents across the country. Such information is critical to the Commission's
25 ability to monitor and enforce Ameritech's compliance with Illinois law and the 1996 Act.

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1 Without a substantial number of similarly-sized incumbent carriers, it will be much easier for
2 Ameritech to provide poorer quality service to its competitors and engage in greater anti-
3 competitive activity because there will be fewer companies that can be used by the Commission
4 as a benchmark to measure nondiscriminatory treatment required by the 1996 Act.
5

6 Q. Do other NEXTLINK affiliates have experiences that lead to the conclusion that this
7 acquisition would have a significant adverse impact on competition and adverse rate impacts on
8 retail customers?
9

10
11 A. Yes. Before its acquisition by SBC, Pacific Telesis was far from a model of compliance
12 with the requirements of the 1996 Act. Yet, since the merger the situation has gotten worse. As
13 discussed previously, Pacific Bell has not yet met the market-opening requirements of the
14 competitive checklist. (California Staff Report.) In addition, the California Ratepayer Advocate
15 reported that the impact of SBC control of Pacific Bell was higher prices, worse service and less
16 competition in California. (Report On Pacific Bell's Handling of Residential Service Ordering,
17 (Redacted Version), Office of Ratepayer Advocates, California Public Utilities Commission
18 (June 4, 1998).) Consumer groups have further criticized SBC for violating privacy rules. (Id.)
19

20 NEXTLINK's California affiliate has every day, real life experience with SBC.
21 NEXTLINK's experience also demonstrates that SBC has acted to frustrate and limit
22 competition in California. NEXTLINK has experienced discrimination in four key areas:
23 (1) interconnection, (2) access to unbundled loops, (3) number portability, and (4) access to 411
24 and E911. For example, Pacific Bell requires NEXTLINK to route all traffic to a single access
25 tandem denying NEXTLINK the network redundancy needed to ensure its customers can

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1 complete their calls and that Pacific Bell uses within its own network. Pacific Bell has also
2 limited NEXTLINK's ability to compete by providing inadequate unbundled loop provisioning
3 to NEXTLINK. Pacific Bell further limits NEXTLINK's access to unbundled loops by requiring
4 NEXTLINK to obtain collocation in every central office where NEXTLINK seeks to access
5 unbundled loops. In addition, Pacific Bell often fails to coordinate its implementation of number
6 portability with the transfer of a customer from Pacific Bell to NEXTLINK. These are only but a
7 few examples of the continuing efforts of Pacific Bell to delay and damage competition in the
8 state of California. NEXTLINK's experience with Pacific Bell therefore, has not shown
9 improvement since its acquisition by SBC, but continued discriminatory treatment.
10

11 In sum, SBC's takeover of Pacific Bell has had a significant adverse effect on
12 competition and adverse rate impacts on retail customers in California. There is no reason to
13 believe that SBC's takeover of Ameritech will lead to anything different in Illinois.
14

15 Q. Has the Bell Atlantic-NYNEX merger demonstrated the risks associated with approval of
16 a BOC merger?
17

18 A. The FCC, in reviewing the merger application of Bell Atlantic and NYNEX, concluded
19 that the public interest standard required that the merger enhance competition.
20

21 A merger will be pro-competitive if the harms to competition – i.e.,
22 enhancing market power, slowing the decline of market power, or
23 impairing this Commission's ability properly to establish and
24 enforce those rules necessary to establish and maintain the
25 competition that will be a prerequisite to deregulation – are
outweighed by benefits that enhance competition. If applicants
cannot carry this burden, the application must be denied.
(Applications of NYNEX Corp., Transferor and Bell Atlantic
Corp., Transferee, For Consent to Transfer Control of NYNEX

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1 Corp. and Its Subsidiaries, 12 FCC Rcd 199895, 19987 at para. 2
2 (1997) ("Bell Atlantic Merger Order").

3 The FCC, in reviewing the merger application of Bell Atlantic and NYNEX concluded
4 that, on balance, the merger as originally proposed was not in the public interest. (Bell Atlantic
5 Merger Order at para. 12.) Only after Bell Atlantic and NYNEX made additional commitments
6 and agreed to certain conditions did the FCC conclude that "While this remains a close case,
7 these conditions allow us, in this case, to find that the transaction, as supplemented by these
8 conditions, will be in the public interest." (Id.) It is clear therefore, that the FCC considered the
9 commitments made by Bell Atlantic and NYNEX to be critical to its approval of the merger.

10 In terms of the size and nature of the transaction, there are some similarities between
11 SBC's proposed acquisition of Ameritech and the Bell Atlantic merger with NYNEX. The
12 proposed acquisition, however, is larger in terms of market value and the number of access lines
13 to be consolidated. It also reduces the number of large local exchange carriers even further than
14 previous mergers. However, the public interest benefits claimed by SBC and Ameritech for the
15 proposed acquisition by SBC of Ameritech are much less tangible than those put forth by Bell
16 Atlantic and NYNEX. In addition, the evidence for potential competition between SBC and
17 Ameritech is much stronger than was present in the FCC's proceeding reviewing the merger
18 between Bell Atlantic and NYNEX. In light of the extremely close decision made by the FCC to
19 conditionally approve the Bell Atlantic merger, the Commission should consider not only how
20 the Joint Application for the SBC/Ameritech proposed acquisition presents even fewer concrete
21 public interest benefits, but also the dismal failure of Bell Atlantic to honor the commitments it
22 made to persuade the FCC to approve its merger.
23 made to persuade the FCC to approve its merger.

24 In fact, NEXTLINK's experience with Bell Atlantic after its merger with NYNEX was
25 approved demonstrates that even a carefully crafted consent decree can be insufficient to curb

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1 anti-competitive conduct by carriers with monopoly power. As part of its commitments to the
2 FCC, Bell Atlantic agreed to measure its performance and provide performance reports. (Bell
3 Atlantic Merger Order at para. 13.) It also committed to negotiate remedies for its performance
4 below parity. (Id.) Once the merger was complete, however, Bell Atlantic began to backtrack
5 from all of its commitments to the FCC. In addition, Bell Atlantic has vigorously fought efforts
6 to introduce pro-competitive steps taken in New York to other states in its incumbent territory.
7 Even now, over a year after its merger, Bell Atlantic has not yet completed its efforts to
8 standardize its operations and interaction with CLECs across its entire service territory.
9

10 In NEXTLINK's attempts to negotiate with Bell Atlantic, NEXTLINK found that Bell
11 Atlantic had implemented several of its performance reporting commitments through the use of
12 aggregate performance measures such that it could mask its performance for individual CLECs.
13 Bell Atlantic has also refused to negotiate meaningful performance remedies for substandard
14 performance by Bell Atlantic. Bell Atlantic has built into its performance remedies significant
15 exceptions to hide any poor performance. For example, Bell Atlantic refuses to even report
16 certain transactions that it claims are statistically insignificant because they did not meet a certain
17 numerical threshold. Bell Atlantic then insists on canceling poor performance in certain service
18 areas based on Bell Atlantic's good performance in other service areas or even Bell Atlantic's
19 good performance in previous months. Considering all of the exceptions that Bell Atlantic
20 insists on including in its implementation of its commitment to provide performance reports and
21 remedies, Bell Atlantic has managed to significantly weaken the impact of its commitment
22 towards enhancing the ability of competitors to enter Bell Atlantic's markets.
23

24 Bell Atlantic also has failed to accurately report to the FCC the information that it
25 committed to provide. The FCC stated that it was concerned "about the error rates [it had] found

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1 in the three submissions Bell Atlantic has filed to date." (Letter from Kenneth Moran, Chief,
2 Accounting Safeguards Division, Common Carrier Bureau, FCC, to Ms. Patricia E. Koch,
3 Assistant Vice President, Government Relations - FCC, Bell Atlantic (June 24, 1998) attached as
4 Exhibit 1). The FCC has had to repeatedly direct Bell Atlantic to improve or correct the
5 performance reports that it committed to file with the FCC. (Letter from Kenneth Moran, Chief,
6 Accounting Safeguards Division, Common Carrier Bureau, FCC, to Ms. Patricia E. Koch,
7 Assistant Vice President, Government Relations - FCC, Bell Atlantic (April 13, 1998) attached
8 as Exhibit 2; Letter from Kenneth Moran, Chief, Accounting Safeguards Division, Common
9 Carrier Bureau, FCC, to Ms. Patricia E. Koch, Assistant Vice President, Government Relations -
10 FCC, Bell Atlantic (July 6, 1998) attached as Exhibit 3). Although it appears that Bell Atlantic
11 has begun to take steps to improve its performance, the significant delay from when it initially
12 made its commitments to provide this information is further evidence that such commitments do
13 not always lead to improvements in the competitive environment. In the meantime, Bell Atlantic
14 has been able to exploit the anti-competitive aspects of its merger with NYNEX.

16 Further, Bell Atlantic has not agreed to extend pro-competitive conditions for market
17 entry to all of its states, and in fact, has continued to maintain unnecessary distinctions between
18 the service territories of the original companies. A critical failure in this regard is Bell Atlantic's
19 refusal to export successful market opening developments from New York to other states in its
20 territory and its attempts to pare back those commitments in New York itself. This refusal has
21 frustrated local competition and caused additional delay and expense for CLECs forced to re-
22 litigate the same battles in each and every one of Bell Atlantic's thirteen states. Bell Atlantic's
23 actions only serve to demonstrate the strengthened ability of an even larger monopolist to resist
24 and subvert the development of local competition across its incumbent service territory.

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1
2 Q. What should the result of the Commission's review of the Joint Application be?

3
4 A. My recommendation is that the Commission should deny approval of the Joint
5 Application because it is contrary to Section 7-204 in that it will have a significant adverse effect
6 on competition and will result in an adverse rate impact on retail customers. However, should
7 the Commission none-the-less not reject the Joint Application, the Commission should impose
8 both pre-approval conditions and requirements and post-approval conditions and requirements on
9 the Joint Applicants as conditions for its approval of the acquisition of Ameritech by SBC.
10

11
12 Q. Does the Commission have the authority to impose such conditions and requirements on
13 the Joint Applicants?

14
15 A. Yes. As earlier stated, Section 7-204(f) empowers the Commission to "impose such
16 terms, conditions and requirements as, in its judgement, are necessary to protect the interests of
17 the public utility and its customers."
18

19 Q. What pre-approval conditions should the Commission impose?
20

21
22 A. NEXTLINK urges the Commission to impose upon Joint Applicants pre-approval
23 conditions that are based on the conditions and requirements adopted by the FCC in its approval
24 of the Bell Atlantic/NYNEX merger. The Commission, however, should strengthen and improve
25 the conditions initially adopted for Bell Atlantic/NYNEX because NEXTLINK's experience in

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1 New York and Pennsylvania demonstrates that even a carefully-crafted consent decree may be
2 insufficient to curb anti-competitive conduct. What NEXTLINK found was that once the Bell
3 Atlantic/NYNEX merger was consummated, the newly merged company quickly began to
4 disavow or distort the pro-competitive safeguards it had voluntarily adopted.

5 NEXTLINK urges the Commission to consider Bell Atlantic/NYNEX's compliance with
6 the FCC's merger requirements during the past year. Such an examination will permit the
7 Commission to identify which acquisition requirements and conditions are effective, and which
8 are not. The knowledge gained from this analysis will enable the Commission to craft new and
9 more stringent safeguards that would prohibit any potential backtracking by SBC/Ameritech if
10 and when approval of SBC's acquisition of Ameritech is obtained.

12 A closer look at Bell Atlantic/NYNEX's actions reveal that the company has managed to
13 successfully backtrack from its commitment to the FCC to produce performance monitoring
14 reports designed to identify discrimination in the provision of interconnection, unbundled
15 network elements, and resale service. For example, Bell Atlantic/NYNEX refused to report
16 transactions it claimed were "statistically insignificant" because they did not meet a certain
17 reporting threshold. In the case of reporting local loop orders, Bell Atlantic refused to report
18 anything less than 1000 orders made by any carrier on a monthly basis. In addition, Bell
19 Atlantic/NYNEX attempted to report performance on an aggregated basis in an effort to mask its
20 treatment of individual competitive local exchange carriers. Moreover, Bell Atlantic/NYNEX is
21 currently not held accountable for service provisioned below the statutory "parity" standard
22 because its existing performance reports essentially permit Bell Atlantic/NYNEX to use a
23 statistical construct to offset "bad" performance with "good" performance in another service
24 area.
25

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1 in the three submissions Bell Atlantic has filed to date." (Letter from Kenneth Moran, Chief,
2 Accounting Safeguards Division, Common Carrier Bureau, FCC, to Ms. Patricia E. Koch,
3 Assistant Vice President, Government Relations - FCC, Bell Atlantic (June 24, 1998) attached as
4 Exhibit 1). The FCC has had to repeatedly direct Bell Atlantic to improve or correct the
5 performance reports that it committed to file with the FCC. (Letter from Kenneth Moran, Chief,
6 Accounting Safeguards Division, Common Carrier Bureau, FCC, to Ms. Patricia E. Koch,
7 Assistant Vice President, Government Relations - FCC, Bell Atlantic (April 13, 1998) attached
8 as Exhibit 2; Letter from Kenneth Moran, Chief, Accounting Safeguards Division, Common
9 Carrier Bureau, FCC, to Ms. Patricia E. Koch, Assistant Vice President, Government Relations -
10 FCC, Bell Atlantic (July 6, 1998) attached as Exhibit 3). Although it appears that Bell Atlantic
11 has begun to take steps to improve its performance, the significant delay from when it initially
12 made its commitments to provide this information is further evidence that such commitments do
13 not always lead to improvements in the competitive environment. In the meantime, Bell Atlantic
14 has been able to exploit the anti-competitive aspects of its merger with NYNEX.

16 Further, Bell Atlantic has not agreed to extend pro-competitive conditions for market
17 entry to all of its states, and in fact, has continued to maintain unnecessary distinctions between
18 the service territories of the original companies. A critical failure in this regard is Bell Atlantic's
19 refusal to export successful market opening developments from New York to other states in its
20 territory and its attempts to pare back those commitments in New York itself. This refusal has
21 frustrated local competition and caused additional delay and expense for CLECs forced to re-
22 litigate the same battles in each and every one of Bell Atlantic's thirteen states. Bell Atlantic's
23 actions only serve to demonstrate the strengthened ability of an even larger monopolist to resist
24 and subvert the development of local competition across its incumbent service territory.

NEXTLINK DIRECT TESTIMONY
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1
2 Q. What should the result of the Commission's review of the Joint Application be?

3
4 A. My recommendation is that the Commission should deny approval of the Joint
5 Application because it is contrary to Section 7-204 in that it will have a significant adverse effect
6 on competition and will result in an adverse rate impact on retail customers. However, should
7 the Commission none-the-less not reject the Joint Application, the Commission should impose
8 both pre-approval conditions and requirements and post-approval conditions and requirements on
9 the Joint Applicants as conditions for its approval of the acquisition of Ameritech by SBC.
10

11
12 Q. Does the Commission have the authority to impose such conditions and requirements on
13 the Joint Applicants?
14

15 A. Yes. As earlier stated, Section 7-204(f) empowers the Commission to "impose such
16 terms, conditions and requirements as, in its judgement, are necessary to protect the interests of
17 the public utility and its customers."
18

19 Q. What pre-approval conditions should the Commission impose?
20

21
22 A. NEXTLINK urges the Commission to impose upon Joint Applicants pre-approval
23 conditions that are based on the conditions and requirements adopted by the FCC in its approval
24 of the Bell Atlantic/NYNEX merger. The Commission, however, should strengthen and improve
25 the conditions initially adopted for Bell Atlantic/NYNEX because NEXTLINK's experience in

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1 New York and Pennsylvania demonstrates that even a carefully-crafted consent decree may be
2 insufficient to curb anti-competitive conduct. What NEXTLINK found was that once the Bell
3 Atlantic/NYNEX merger was consummated, the newly merged company quickly began to
4 disavow or distort the pro-competitive safeguards it had voluntarily adopted.

5 NEXTLINK urges the Commission to consider Bell Atlantic/NYNEX's compliance with
6 the FCC's merger requirements during the past year. Such an examination will permit the
7 Commission to identify which acquisition requirements and conditions are effective, and which
8 are not. The knowledge gained from this analysis will enable the Commission to craft new and
9 more stringent safeguards that would prohibit any potential backtracking by SBC/Ameritech if
10 and when approval of SBC's acquisition of Ameritech is obtained.

12 A closer look at Bell Atlantic/NYNEX's actions reveal that the company has managed to
13 successfully backtrack from its commitment to the FCC to produce performance monitoring
14 reports designed to identify discrimination in the provision of interconnection, unbundled
15 network elements, and resale service. For example, Bell Atlantic/NYNEX refused to report
16 transactions it claimed were "statistically insignificant" because they did not meet a certain
17 reporting threshold. In the case of reporting local loop orders, Bell Atlantic refused to report
18 anything less than 1000 orders made by any carrier on a monthly basis. In addition, Bell
19 Atlantic/NYNEX attempted to report performance on an aggregated basis in an effort to mask its
20 treatment of individual competitive local exchange carriers. Moreover, Bell Atlantic/NYNEX is
21 currently not held accountable for service provisioned below the statutory "parity" standard
22 because its existing performance reports essentially permit Bell Atlantic/NYNEX to use a
23 statistical construct to offset "bad" performance with "good" performance in another service
24 area.
25

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1 One of the most important pro-competitive safeguards that the FCC imposed on Bell
2 Atlantic/NYNEX is the duty to negotiate into interconnection agreements enforcement
3 mechanisms that ensure compliance with each performance standard. Unfortunately, Bell
4 Atlantic/NYNEX has successfully sidestepped this requirement as well. For example, Bell
5 Atlantic/NYNEX has consistently refused to negotiate the inclusion of incident-based liquidated
6 damage enforcement provisions into its interconnection agreements. Instead, Bell
7 Atlantic/NYNEX has put in much time and effort to design an elaborate system of "performance
8 credits" that provide CLECs with rebates on recurring and/or non-recurring charges associated
9 with the particular service provisioned below the "parity standard." Bell Atlantic/NYNEX's
10 proposed performance credits, however, rebate only five (5) to ten (10) percent of a service
11 charge. These "performance credit" based rebates are woefully inadequate and provide no
12 incentive for an RBOC to provide non-discriminatory service.
13

14 NEXTLINK's experience in Pennsylvania and New York demonstrates that this
15 Commission, as a prerequisite for approving the merger, must establish a mandatory and
16 detailed performance reporting requirement that will enable competitive service providers to
17 quickly and clearly determine whether SBC/Ameritech is provisioning service in a non-
18 discriminatory fashion. The Commission must ensure that any performance reporting
19 requirement it adopts will require SBC/Ameritech to report all service transactions on a CLEC-
20 by-CLEC disaggregated basis, and will not permit SBC/Ameritech to use any statistical model
21 that allows "bad" performance in one service category to be offset by "good" performance in
22 another service category.
23

24 More importantly, the Commission must require that SBC/Ameritech include in all of its
25 CLEC interconnection agreements self-executing incident-based liquidated damage enforcement

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1 provisions. Such enforcement provisions are administratively efficient because they require
2 little, if any, regulatory oversight and they also ensure that the incumbent monopolist has the
3 right incentive to provision service at the statutory "parity" standard.
4

5 Q. What post-approval conditions should the Commission impose?
6

7 A. NEXTLINK recommends that the Commission adopt a post-approval condition that
8 SBC/Ameritech submit to a post-approval compliance proceeding before the Commission that
9 would be conducted on an annual basis until SBC/Ameritech can demonstrate that the local
10 market in Illinois is irreversibly open to competition. This proceeding would require
11 SBC/Ameritech to show that it is in full compliance with all Federal and State acquisition
12 conditions and requirements.
13

14 NEXTLINK also recommends that the Commission adopt a post-approval condition that
15 would require SBC/Ameritech to offer in Illinois any technically feasible service, facility, and/or
16 interconnection arrangement that SBC/Ameritech currently or subsequently provides in any other
17 state within its combined service territory.
18

19 Q. In summary, what should the Commission's action be regarding the Joint Application?
20

21 A. The Commission should deny the Joint Application from SBC and Ameritech. SBC's
22 acquisition of Ameritech provides no verifiable competitive benefits to Illinois, but instead
23 harms existing competition and eliminates a potential competitor, which violates the Section 7-
24 204 prohibition against the acquisition having a significant adverse effect on competition and an
25

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1 adverse rate impact on retail customers. After the Commission has reviewed all of the facts, I
2 am confident that the Commission will conclude that this proposed acquisition is not permitted
3 under Illinois law and is not in the best interests of Illinois.

4 However, should the Commission determine that it will not reject the Joint Application,
5 the Commission should impose the pre-approval and post-approval conditions set forth in this
6 testimony.

7
8 Q. Does this conclude your testimony?

9
10 A. Yes it does.
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EXHIBIT 1

Federal Communications Commission

DA 98-1228

Federal Communications Commission
Washington, D.C. 20554

Adopted: June 24, 1998

Released: June 24, 1998

Ms. Patricia E. Koch
Assistant Vice President,
Government Relations - FCC
Bell Atlantic Corporation
1300 I Street NW, Suite 400W
Washington, DC 20005

Dear Ms. Koch:

In this letter, the Accounting Safeguards Division ("ASD") addresses the resolution of certain issues concerning Bell Atlantic's Performance Monitoring Report ("PMR") submissions filed pursuant to the *Bell Atlantic/NYNEX Merger Order*¹ and the progress Bell Atlantic has made in filing such reports.

In November 1997 and February 1998, Bell Atlantic filed its PMR submissions in accordance with the *Bell Atlantic/NYNEX Merger Order*.² After ASD staff reviewed the PMR submissions and identified certain issues with these filings, we released a letter directing Bell

¹ NYNEX Corporation Transferor, and Bell Atlantic Corporation Transferee, For Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries, *Memorandum Opinion and Order*, 12 FCC Rcd 19985 (1997) (*Bell Atlantic/Nynex Merger Order*).

² See Notice of Filing Schedule for Bell Atlantic Performance Monitoring Reports, *Public Notice*, 13 FCC Rcd 2229 (1998) (establishing filing schedule for Bell Atlantic performance monitoring reports).

Federal Communications CommissionDA 98-1228

Atlantic to revise its PMR submissions in order to be consistent with Appendix D of the *Bell Atlantic/NYNEX Merger Order* ("Appendix D").³ In a series of meetings with ASD staff, Bell Atlantic representatives discussed and agreed to correct these issues. Specifically, Bell Atlantic will revise the labelling format of its PMR submissions and provide corrected copies of the November 1997 and February 1998 PMR submissions on or before July 6, 1998. In addition, Bell Atlantic will provide a glossary of terms and detailed definitions as a common reference document for future PMR filings no later than the August 1998 PMR submission.⁴ We anticipate that these actions will help ensure that the PMR data is clear, usable, and consistent with Appendix D of the Merger Order.

³ See generally Letter from Kenneth P. Moran, Chief, Accounting Safeguards Division, FCC, to Patricia E. Koch, Assistant Vice President, Government Relations, 13 FCC Rcd 7326 (1998).

⁴ In a meeting with ASD staff on June 3, 1998, Bell Atlantic noted that it has raised its standard for reporting dedicated final trunk blockage from the B.01 standard stated in Appendix D to the B.005 used for common trunk blockage. Bell Atlantic will describe these activities in the forthcoming glossary document.

Federal Communications Commission

DA 98-1228

Bell Atlantic's May 1998 PMR submission contained certain labelling and reporting errors that were not evident in earlier submissions. Specifically, the paper and electronic versions of the May 1998 PMRs contain different data in some metrics.⁵ In addition, Bell Atlantic erroneously labelled certain proprietary data as "non-proprietary." After discussing these issues with ASD staff, Bell Atlantic has been correcting the labelling and reporting errors and will provide a corrected version of the May 1998 PMR submission on or before July 6, 1998. We anticipate that Bell Atlantic's review and re-examination will ensure that the May 1998 PMR data is accurate and consistent with Appendix D of the Merger Order.

As a general matter, we are encouraged by Bell Atlantic's efforts to implement this reporting program. We are concerned, however, about the error rates we have found in the three submissions Bell Atlantic has filed to date. We believe Bell Atlantic is working to solve the problems and we fully expect that these issues will not arise in the August 1998 and subsequent filings. If there is anything the ASD staff can do to facilitate the reporting process, please feel free to contact us at any time. In the meantime, if you have any questions concerning this letter or would like to further discuss these issues, please feel free to contact Anthony Dale at (202) 418-2260 or Whiting Thayer at (202) 418-0822.

Sincerely,

Kenneth P. Moran
Chief, Accounting Safeguards Division

⁵ For example, in Metric 20.01, % Dedicated Final Trunk Blockage, reported for Maryland in the May 1998 PMR filing, the non-proprietary paper submission showed results of 0.00, 0.00, and 0.50 for the three months covered by the PMR. The non-proprietary electronic submission, however, showed results of 0.00, 0.00, and 0.00, respectively.

EXHIBIT 2

Federal Communications Commission

DA 98-711

Federal Communications Commission
Washington, D.C. 20554

In reply refer to:

April 13, 1998

Released: April 13, 1998

Ms. Patricia E. Koch
Assistant Vice President, Government Relations - FCC
Bell Atlantic Corporation
1300 I Street NW, Suite 400W
Washington, DC 20005

Dear Ms. Koch:

The Accounting Safeguards Division ("ASD") has found several deficiencies in Bell Atlantic's Performance Monitoring Report ("PMR") submissions filed pursuant to the *Bell Atlantic/NYNEX Merger Order*.¹ In this letter, we direct Bell Atlantic to revise its PMR definitions and to update its reporting procedures in order to ensure consistency with Appendix D of the *Bell Atlantic/NYNEX Merger Order* ("Appendix D"). In addition, we address several suggestions presented by Bell Atlantic to improve the definitions of individual metrics.²

Metric 2: OSS Interface Availability. Bell Atlantic appears to have mislabelled this measurement. Appendix D defines this metric as "% of Time OSS Interface is actually available compared to scheduled availability." Bell Atlantic's submissions indicate that this metric is reported in "hours" instead of a percentage. To maintain consistency with Appendix D, Bell Atlantic should revise the label of its submissions and report data in this metric as a percentage.

Metric 8: Average Offered Interval. In its February 3, 1998 letter, Bell Atlantic suggests that future reports show the average offered interval for "Special Services - Dispatch (Total) for Retail, Resale, and UNE" because the line size breakouts specified in Appendix D do not produce meaningful measures. Specifically, Bell Atlantic noted that the intervals offered for Retail, Resale, and UNE Special Services are based on the product instead of the line size of the order. We believe that this is a reasonable suggestion and, therefore, we permit Bell Atlantic to file PMRs with this modified definition for Metric 8, so long as Bell Atlantic notes the modification on its future submissions.

Metric 9: Average Completed Interval. In its February 3, 1998 letter, Bell Atlantic

¹ NYNEX Corporation Transferor, and Bell Atlantic Corporation Transferee, For Consent to Transfer Control of NYNEX Corporation and Its Subsidiaries, *Memorandum Opinion and Order*, FCC 97-286 (rel. August 14, 1997).

² Letter from Patricia E. Koch, Assistant Vice President, Government Relations, to Anthony Dale, Attorney, Accounting & Audits Division, Common Carrier Bureau, FCC 1 (Feb. 3, 1998).

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DA 98-711

suggests that future reports for Metric 9 show the average completed interval for "Special Services - Dispatch (Total) for Retail, Resale, and UNE" because the line size breakout for special services does not produce meaningful measures. We believe that this is a reasonable suggestion and, therefore, permit Bell Atlantic to file PMRs with this modified definition for Metric 8, so long as Bell Atlantic notes the modification on its future submissions.

Metric 11: % Missed Installation Appointment. Bell Atlantic entitled this metric "% Missed Appointment - BA," and reports Interconnection Trunks (11.10 and 11.11) as the percentage of trunks (for north states) and the percentage of orders (for south states). Appendix D of the Order labels this metric "% Missed Installation Appointments." To avoid possible confusion, Bell Atlantic should label this metric consistently with Appendix D of the Order. Additionally, Bell Atlantic should report Interconnection Trunks (11.10 and 11.11) as the percentage of orders for both northern and southern states as specified in Appendix D.

Metric 12: Facility Missed Orders. Bell Atlantic entitled this metric "% Missed Appointment - Facilities," and reports Interconnection Trunks (12.07 and 12.08) as the percentage of trunks (for north states) and the percentage of orders (for south states). In Appendix D, this metric is labelled "Facility Missed Orders." To avoid possible confusion, Bell Atlantic should label this metric consistently with Appendix D of the Order. Additionally, Bell Atlantic should report Interconnection Trunks (12.07 and 12.08) as the percentage of orders for both northern and southern states as specified in Appendix D.

In its February 3, 1998 letter, Bell Atlantic suggests that the reports for Metric 12 should show the percent of installation appointments missed due to lack of facilities for Retail POTS, Resale POTS, and UNE POTS without further disaggregating the measurements into "dispatch" and "no dispatch" categories. Because this change will increase the accuracy of the reports, Bell Atlantic is permitted to make this minor modification so long as Bell Atlantic annotates this modification on the reports filed with the Commission and provided to third parties.

Metric 13: % Installation Troubles within 30 Days. Appendix D defines this metric as "Troubles received on lines within 30 days of service order activity as a percent of lines ordered in 30 days." Bell Atlantic's PMR Definitions describe this metric as reporting the "Percentage of Lines/Circuits/Trunks Installed for which a Network Trouble is reported and found within 30 days of installation (or service order activity)." We require Bell Atlantic to remove the qualifiers "network trouble" and "and found" from its definition, and report data in accordance with the definition in Appendix D.

Metric 14: Customer Trouble Report Rate. Appendix D defines this metric as "Initial Customer direct or referred troubles reported within a calendar month where cause is determined to be found to be in the network (not customer premises equipment, inside wire, or carrier equipment) per 100 lines/circuits in service." Bell Atlantic's PMR Definitions describe this metric as reporting troubles on regulated services, but the Appendix D definition does not distinguish between regulated or nonregulated services. Therefore, Bell Atlantic should report all Customer Trouble Reports in accordance with the Appendix D definition. In addition, Bell Atlantic should include a

Federal Communications Commission

DA 98-711

notation in its data submissions for metric 14 identifying the unit of measurement as "per 100 lines/circuits in service."

Metric 15: Missed Repair Appointments. Appendix D defines Metric 15 as the percent of Trouble Reports not cleared by the date and time committed, excluding misses where the competing carrier or end user causes the missed appointment. Bell Atlantic modifies the definition of Metric 15 with the phrase "Initial Customer Trouble Reports found to be network troubles." We require Bell Atlantic to remove the modification "Initial Customer Trouble Reports, found to be network troubles (Disposition Codes 3, 4, and 5" from its PMR Definitions, and report all Missed Repair Appointments except those explicitly excluded by Appendix D.

Metric 16: Mean Time to Repair. Appendix D defines Metric 16 as the "[a]verage duration time from receipt of trouble report to clearing of trouble report." In its submissions, Bell Atlantic notes that it will report on "Initial Customer Trouble Reports found to be network troubles." We require Bell Atlantic to remove the qualifiers "Initial Customer Trouble Reports," and "found to be network troubles," and report the average duration of time to clear a trouble report as specified in Appendix D. Additionally, because Appendix D requires that special circuits and trunks be reported as "Stop Clock," Bell Atlantic should report metric 16.08 Interconnection Trunks as Stop Clock instead of "Total Hours."

Metric 17: Out of Service > 24 Hours. Appendix D defines this metric as "the percent of troubles cleared in excess of 24 hours." Bell Atlantic's submissions describe this metric as reporting the "percentage of network troubles." Bell Atlantic's submissions further note that the "Out of Service period commences when the trouble is entered into BA's designated trouble reporting interface." We require Bell Atlantic to remove the qualifier "network troubles" from its definition and to report data in accordance with the definition in Appendix D. In addition, Bell Atlantic should measure the "Out of Service period" from the time they receive the trouble report in accordance with our ARMIS procedures, instead of when the trouble report is entered into Bell Atlantic's system.³

Metric 18: % Repeat Trouble Reports within 30 days. Appendix D defines this metric as "Trouble reports on the same line/circuit as a previous trouble report within the last 30 calendar days as a percent of total troubles reported." Bell Atlantic's PMR Definitions modifies this definition by reporting troubles that originated as a disposition code other than CPE or a customer

³ As part of the Automated Reporting Management Information System ("ARMIS"), incumbent local exchange carriers file annual service quality reports that include data for "Out-of-Service Average Repair Interval." ARMIS 43-05 Row Instructions, Row 0145 Out-of-Service Average Repair Interval defines the interval as "the total time from receipt of the customer trouble to clearing the trouble. Clearing represents the final disposition of the report, either repairing the problem or closing the report to another category, such as a no trouble found category." See Revision of ARMIS Annual Summary Report (FCC Report 43-01), ARMIS USOA Report (FCC Report 43-02), ARMIS Joint Cost Report (FCC Report 43-03), ARMIS Access Report (FCC Report 43-04), ARMIS Service Quality Report (FCC Report 43-05), ARMIS Customer Satisfaction Report (FCC Report 43-06), ARMIS Infrastructure Report (FCC Report 43-07), and ARMIS Operating Data Report (FCC Report 43-08) for Certain Class A and Tier 1 Telephone Companies, Order, DA 97-2621 (Com. Car. Bur. rel. Dec. 16, 1997).

Federal Communications Commission**DA 98-711**

code that has an additional trouble within 30 days for which a network trouble is found. We require Bell Atlantic to remove the qualifiers "other than CPE," and "for which a network trouble is found," and report data in accordance with the Appendix D definition.

Metric 19: % Common Trunk Blocking. Bell Atlantic erroneously reported Dedicated Final Trunk Blockage in this metric. We require Bell Atlantic to correct this error and report the percentage of Common Trunk Blocking exceeding the engineering design blocking standard of B.005. We also direct Bell Atlantic to specify in its submissions that Metric 19 reports data using the design blocking standard of B.005 only.

Metric 20: % Dedicated Final Trunk Blocking. Bell Atlantic erroneously reported Common Final Trunk Blockage in this metric. We require Bell Atlantic to correct this error and report the percentage of Dedicated Final Trunk Blocking exceeding the engineering design blocking standard of B.01. We also direct Bell Atlantic to specify in its submissions that Metric 20 reports data using the design blocking standard of B.01 only.

We recognize that the data collection systems deployed in the northern states may be different than those used in the southern states, and that these systems may be the reasons behind certain differences in the way Bell Atlantic reports PMR data. Reporting measurements in a uniform manner, however, is absolutely critical for Commission staff to analyze and evaluate the PMR data. Therefore, we expect Bell Atlantic to standardize its reporting procedures and measurements between northern and southern states as soon as possible. For those PMRs that are not yet standardized, such as Metric 11 and Metric 12, Bell Atlantic should provide a plan, including an implementation schedule, for reporting the PMR data for the northern and southern states in a uniform manner.

As a final matter, we expect Bell Atlantic to provide revised submissions of the PMRs within a reasonable time after receipt of this letter. Because resubmitting the PMRs may require Bell Atlantic to reference the raw data underlying the November 12, 1997 and February 17, 1998 filings, Bell Atlantic should take immediate steps to revise its PMR submissions, which may require keeping the raw data for longer than the 150 day period stated in Appendix D.

If you have any questions concerning this letter or would like to discuss the issues addressed, please feel free to contact Anthony Dale at (202) 418-2260.

Sincerely,

Kenneth P. Moran
Chief, Accounting Safeguards Division
Common Carrier Bureau, FCC

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

SBC Communications, Inc.)	
SBC Delaware Inc.)	
Ameritech Corporation)	
Illinois Bell Telephone Company d/b/a)	
Ameritech Illinois and Ameritech Illinois)	
Metro, Inc.)	98-0555
)	
Joint Application for approval of the)	
Reorganization of Illinois Bell Telephone)	
Company d/b/a Ameritech Illinois Metro,)	
Inc. in accordance with Section 7-204 of the)	
Public Utilities Act and for all other)	
appropriate relief)	

CHIEF CLERK'S OFFICE

ILLINOIS
COMMERCE
COMMISSION
DEC 18 10 51 AM '98

REBUTTAL TESTIMONY OF

DANIEL GONZALEZ

ON BEHALF OF NEXTLINK ILLINOIS, INC.

**NEXTLINK Rebuttal Testimony
Docket No. 98-0555**

Q. Please state your name and business address for the record.

**A. My name is Daniel Gonzalez and my business address is 1730 Rhode Island Avenue, N.W.,
Suite 1000, Washington D. C. 20036**

Q. By whom are you employed and in what capacity?

A. I am employed by NEXTLINK Communications, Inc. as Director, Regulatory Affairs

Q. Are you the same Daniel Gonzalez who previously provided testimony in this proceeding?

A. Yes I am.

Q. What is the purpose of your rebuttal testimony?

A. I will be responding to various statements made by the witnesses of the Joint Applicants in their rebuttal testimony. I will demonstrate that the Joint Applicants have failed to provide any useful, reliable or significant facts regarding the impact of the acquisition and have instead adopted what can be called a "stealth" strategy whereby the Joint Applicant provide as little information to the Commission as possible in seeking Commission approval. In addition, I will provide responses to some of the questions proffered by the Commissions in the November 20, 1998 Notice of Ruling.

NEXTLINK Rebuttal Testimony
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Q. Do the witnesses for the Joint Applicants make any factual showing that the proposed acquisition is not likely to have a significant adverse effect on competition in Illinois?

A. No. Mr. Gebhardt, when asked if the proposed merger will have an adverse impact of competition, simply replies "no". (Gebhardt at page 12.) Mr. Kahan states "... I do not think future or potential harm are proper subjects of consideration." (Kahan at page 46.) Mr. Harris states "...the merger would not have a significant adverse effect on competition because there are so many other actual and potential entrants in those markets." (Harris at page 9.) The only argument put forward is Mr. Harris' statement that the mere existence of other providers of local exchange services means that this acquisition will not have a significant adverse effect on competition. The Joint Applicants' witnesses have ignored the statutory standard of Section 7-204(b)(7) of the Public Utilities Act prohibiting the acquisition from having a significant adverse effect on competition. This cursory handling of the statutory standard ignores the fact that resellers and facilities-based local service providers alike are reliant upon Ameritech as the incumbent monopoly in some fashion in the provisioning of local exchange service.

Q. Do Messrs. Gebhardt, Kahan and Harris thoroughly address the issues involved in competitor dependency on Ameritech to provide local service in a manner necessary to support their determination that there would be no significant adverse effect on competition?

A. No. These witnesses have totally failed to demonstrate by way of their testimony that this acquisition will not have a significant adverse effect on competition. The witnesses have also

NEXTLINK Rebuttal Testimony
Docket No. 98-0555

failed to adequately address how the acquisition will impact the business relationship between Ameritech and the local exchange competitors, a working relationship that is essential to competitive local exchange carriers' ability to compete.

Q. Are you aware of other information that shows that the Joint Applicants do not have an adequate basis for their claim that the proposed acquisition will not have a significant adverse effect on local competition?

A. Yes. Based upon the Joint Applicants responses to NEXTLINK's First Data Request dated October 14, 1998 Questions 1 and 8, it is obvious these witnesses do not have sufficient information to make the claims they have made regarding the impact of the acquisition on local competition in Illinois. NEXTLINK's Data Request Question No. 1 asked SBC to describe the structure for Ameritech Corporation that will be in place once the acquisition is completed. We asked that this description should include, but not be limited to, a description of the wholesale and retail units of the combined entity, as well as the identification of which entity will be responsible for CLECs in the Midwest, post acquisition. SBC response was as follows:

Ameritech Corporation will be a wholly owned subsidiary of SBC Communications, Inc. In advance of post-merger planning with Ameritech, SBC does not have additional details such as a description of the wholesale and retail units of the combined entity as well as an identification of which entity will be responsible for CLECs in the Midwest, post merger. SBC and Ameritech have not yet developed any in-region post merger business, operational or implementation plans. . . (Exhibit 1.)

NEXTLINK's Data Request Question No. 8 asked SBC "Will the combined entity provide for complete electronic interfaces (operational support systems) to facility-based CLECs for the following systems. . ."

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SBC's response was as follows:

At this time it is not known what the combined entity will provide for complete electronic interfaces (operational support systems) to facility-based CLECs. The explanations below are indicative of the current OSSs within Southwestern Bell Telephone Company (SWBT). . . (Exhibit 2.)

Based upon these two responses above, it is clear that the Joint Applicants do not possess sufficient factual information to ensure the Commission that this acquisition will not have a significant adverse impact on competition.

Q. Joint Applicant witnesses Kahan and Harris claim that no competitor would be eliminated from the Illinois market by the acquisition because SBC would not otherwise be entering the Illinois market. Do you agree?

A. No. The facts of the Joint Applicants' pre-acquisition conduct belies the claims of Kahan and Harris that SBC would not otherwise be entering the Illinois market. Prior to the announcement of the acquisition, Ameritech pursued a strategy of entering out-of-region markets in several states. These states included Missouri, California and Texas, where SBC is the monopoly local service provider. Mr. Kahan states in his testimony that "we believe that the incumbents with whom we will be competing (i.e., Bell Atlantic, US West, BellSouth and GTE) will choose to respond in a competitive manner." (Kahan at page 23.) If the competitive response argument set forth by Mr. Kahan is correct, then SBC would have responded to Ameritech's entry into SBC territory by entering the Illinois market and other states where SBC is the monopoly local service provider. Therefore, the result of this acquisition is that a competitor has been eliminated.

NEXTLINK Rebuttal Testimony
Docket No. 98-0555

Q. Do the Joint Applicants' witnesses attempt to offer any other competitive justifications for the acquisition?

A. Yes. Mr. Kahan suggests that the need for one-stop shopping is a reason for approval of the acquisition. (Kahan at pages 50-51.)

Q. Do Mr. Kahan's arguments regarding one-stop shopping provide a justification for the acquisition?

A. No. Mr. Kahan argues in his rebuttal testimony that competitors want SBC and Ameritech to follow a standard CLEC model of entry and to force incremental entry upon SBC and Ameritech while those same competitors promote their ability to provide a one-stop shopping capability to customers. (Kahan at page 50.) He sees SBC's and Ameritech's inability to offer one-stop shopping as detrimental to their abilities to compete. (Id.) What Mr. Kahan fails to say is that SBC's and Ameritech's ability to offer one-stop shopping is completely within their control and that this acquisition has no impact upon their ability to provide one-stop shopping. Ameritech is capable of seeking authority to provide local service to any customer throughout the United States and interLATA long distance service to any customer outside of its existing local service territory. Ameritech may also seek interLATA authority within Illinois under Section 271 of the Telecommunications Act of 1996 at any time. This acquisition will not provide Ameritech with the ability to provide one-stop shopping within its current local service territory. All Ameritech needs to do to provide one stop shopping is meet the requirements of

**NEXTLINK Rebuttal Testimony
Docket No. 98-0555**

Section 271 and open its markets to local competition. If SBC and Ameritech were serious about offering one-stop shopping, the focus of their energy would be to open their existing monopoly markets to competition rather than consolidating monopoly power.

Q. Do you agree with the opinion of Mr. Kahan that the implementation of the National-Local Strategy of Joint Applicants will lead to the opening of Ameritech monopoly local markets to competition?

A. No. Mr. Kahan indicates in his rebuttal testimony how massive an undertaking it will be to launch their National-Local Strategy into 30 markets that cover portions of over 20 states and involve 8,000 employees and billions of dollars of new spending. Mr. Kahan attempts to compare SBC's integration of Pacific Telesis to the integration of Ameritech and the National-Local Strategy. (Kahan at page 61.) As I discussed in my Direct Testimony, SBC's integration of Pacific Telesis has not facilitated increased local competition in California. Therefore, this analogy fails to demonstrate that implementation of the National-Local Strategy will result in competitive benefits in Illinois. It is difficult to conceive of how the acquisition of Ameritech and the National-Local Strategy will encourage or even allow the Joint Applicants to better focus on opening up their local markets to competition. In fact, the financial commitment required by the National-Local Strategy gives the Joint Applicants incentive to protect their monopoly revenue stream in states such as Illinois to finance the strategy rather than open the monopoly markets to competition and risk losing revenue.

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Q. Have the Joint Applicants presented sufficient factual evidence regarding other issues important to this Commission's determination in this matter?

A. No. Joint Applicants' witness Jennings testified that the acquisition will not lead to a loss of jobs at Ameritech. However, SBC's responses to NEXTLINK Data Requests cast great doubt upon those representations. In response to NEXTLINK Data Request No. 1, as cited above, SBC stated that it has "not yet developed any in-region post merger business, operational or implementation plans." Moreover, in response to NEXTLINK questions regarding whether the current level of staffing would be maintained in the Ameritech Unbundling Center, the Network Engineering Control Center and at Ameritech Long Distance Industry Services, SBC stated that it "does not have any specific plans regarding the level of staffing" in such organizations. (Exhibits 3 and 4.) In light of this admitted lack of certainty regarding the post-acquisition structure of the new entity, SBC's representation that there will be no job losses is suspect. SBC wants the Commission and the citizens of Illinois to believe that this acquisition will not result in any loss of jobs, but in reality is unwilling to make that commitment.

Q. Joint Applicants' witnesses contend that the Commission should consider the issue of dilution of shareholders' earnings in determining whether to approve or reject the proposed acquisition. Do you agree?

A. The Commission should consider the dilution of the value of Ameritech stock to shareholders only to the extent required by Section 6-103 of the Illinois Public Utilities Act. Otherwise, I find it inappropriate for the Joint Applicants to seek approval of an application that

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will be to the detriment of Illinois and local competition simply to minimize the financial impact on their shareholders.

Responses to Questions of the Commissioners in the November 20, 1998 Notice of Ruling

Q. Did the Commissioners ask any questions regarding Section 271 of the Telecommunications Act of 1996?

A. Yes.

Q. What is your understanding of Section 271 as it applies to the Bell Companies?

A. Section 271 sets forth the checklist of competitive requirements that a Bell Company must satisfy in order to provide in-region interLATA services (e.g. interLATA long distance).

Q. Do you agree with Mr. Kahan and Mr. Gebhardt that the conditions set forth in Section 271 have no place in this proceeding?

A. No. The intent of Section 271 of the Telecommunications Act of 1996 is to ensure that a Bell Company's local exchange market has been effectively opened to competition. Until such time as a Bell Company has met the requirements set forth in Section 271, a local market has not been effectively opened to competition. As of today, neither of the Joint Applicants has received Section 271 approval in any state. In fact, Mr. Richard Notebaert, Chairman and CEO of

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Ameritech, recently stated that Ameritech was "done" with Section 271. (Exhibit 5). In other words, Ameritech has no intention of even attempting to comply with the competitive requirements of Section 271. Therefore, if the Commission wishes to lessen the significant adverse impact of this acquisition upon local competition in Illinois, it should require Ameritech to meet the competitive checklist set forth in Section 271, and thereby effectively open Ameritech's local exchange market to competition.

Conclusion

Q. What is your recommendation to the Commission regarding this matter?

A. As stated in my direct testimony, the Commission should deny approval of the Joint Application because it is contrary to Section 7-204 of the Public Utilities Act because the acquisition will have a significant adverse effect on competition and will result in an adverse rate impact on retail customers. In the alternative, if the Commission does not reject the Joint Application, the Commission should impose both pre-approval conditions and requirements and post-approval conditions and requirements on the Joint Applicants as conditions for its approval of the acquisition of Ameritech by SBC. The details regarding those conditions are set forth in my direct testimony. (Gonzalez Direct Testimony at pages 18 through 22.)

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE ILLINOIS COMMERCE COMMISSION OF ILLINOIS**Docket No.: 98-0555****Data Request Originated By: Nextlink Illinois****Date of Request: October 14, 1998****Question No.: 1****Request for Document No.: N/A****Date of SBC's Response: October 28, 1998****Respondent's Name: James S. Kahan****Respondent's Title and Company: Senior Vice-President, Corporate Development,
SBC Communications Inc.****Question:**

Please describe the structure for Ameritech Corporation that will be in place once the merger with SBC is completed. this description should include, but not be limited to, a description of the wholesale and retail units of the combined entity, as well as an identification of which entity will be responsible for CLECs in the Midwest, post merger.

Answer:

Ameritech Corporation will be a wholly owned subsidiary of SBC Communications, Inc. In advance of post-merger planning with Ameritech, SBC does not have additional details such as a description of the wholesale and retail units of the combined entity, as well as an identification of which entity will be responsible for CLECs in the Midwest, post merger. SBC and Ameritech have not yet developed any in-region post-merger business, operational or implementation plans. SBC and Ameritech senior managers have had preliminary meetings designed to promote a better understanding of each company's philosophies and operations, but have not formulated, developed or approved any specific in-region post-merger organizational, business, implementation or service improvement plans. Such plans have not been developed as of this time for the following legitimate business and legal reasons:

- 1) Uncertainty concerning exactly when the merger will receive final regulatory approval. Because of this uncertainty, it is not a prudent or a wise use of resources to develop detailed in-region post merger plans at this time.
- 2) The importance of focusing management and employee attention toward current customer needs, business plans and company priorities rather than speculative post-merger organizational structures and operations. As a result, SBC and Ameritech have not yet undertaken the detailed assessments of the others' operations that must be completed before realistic post-merger in-region implementation plans can be developed.

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3) In view of the antitrust laws and the Department of Justice's concern about pre-approval merger activity, the companies are not in a position at this point to exchange the proprietary, personnel and highly confidential information necessary to fully develop post-merger in-region implementation plans;

4) The fact that the assets, operations and staffs of SBC and Ameritech cannot be legally consolidated or integrated until the proposed transaction receives final regulatory approval; and

5) The fact that any post-merger implementation plans developed at this time would be indefinite and subject to modification based on changing competitive situations, market conditions and regulatory requirements. This is especially true with regard to post-merger staffing needs and organizational planning for the long distance subsidiary, which will be affected significantly by the different dates that the combined company receives FCC authority to provide landline long distance services not only in each of the Ameritech states, but also in California, Nevada, Texas, Missouri, Arkansas, Kansas and Oklahoma.

The foregoing response is hereinafter referred to as the general statement on post-merger planning.

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BEFORE THE ILLINOIS COMMERCE COMMISSION OF ILLINOIS**Docket No.: 98-0555****Data Request Originated By: Nextlink Illinois****Date of Request: October 14, 1998****Question No.: 8****Request for Document No.: N/A****Date of SBC's Response: October 28, 1998****Respondent's Name: James S. Kahan****Respondent's Title and Company: Senior Vice-President, Corporate Development,
SBC Communications Inc.****Question:**

Will the combined entity provide for complete electronic interfaces (operational support systems) to facility-based CLECs for the following systems:

Answer:

At this time it is not known what the combined entity will provide for complete electronic interfaces (operational support systems) to facility-based CLECs. The explanations below are indicative of the current OSSs within Southwestern Bell Telephone Company (SWBT).

- (a) Electronic Data Interface ("EDI") transfers for Account Service Records ("ASRs") and Loop Service Records ("LSRs")**

Answer:

In SWBT, "ASR" is an acronym for Access Service Request. "LSR" is an acronym for Local Service Requests. EXACT is the interface used to process an ASR and generate service orders mechanically, while EDI and LEX are the interfaces used to issue an LSR.

EXACT (Exchange Carrier Tracking System) provides order entry, control, and tracking for the service reps in the ICSC. Interexchange carriers send orders via ASRs and the ICSCs utilize the system to forward the ASR to SORD. EXACT allows service reps to mechanically process ASRs and generate service orders mechanically.

SWBT accepts orders for local Interconnection Trunks and dedicated facilities electronically using the Access Services Request ("ASR") process. SWBT is in compliance with OBF Version 18 of the ASR. Both Network Data Mover

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Answer:

In SWBT, access to the Customer Service Records ("CSR") is via DataGate, which provides an application to application access option. Electronic access to the CSR is through Verigate or EASE.

EASE is an on-line system that was developed as a service order negotiation tool for SWBT's own retail service representatives, and is currently used by SWBT retail service representatives to serve both residence and business customers.

Verigate is a GUI from the SWBT Toolbar platform that operates with Windows™ and provides CLECs access to pre-ordering functions available from SWBT's "back office" systems through DataGate. Verigate was designed for CLECs that do not want to use EASE or to pursue development of their own software programs or applications, and choose not to use DataGate.

DataGate is a SWBT gateway which provides an application-to-application electronic interface for those CLECs with their own software programs or applications. DataGate provides a convenient gateway that allows a CLEC to acquire all pre-order information from a single interface, in real-time, using the CLEC's negotiation system. It provides CLECs with pre-ordering capabilities for resold services and UNEs. In addition, DataGate also provides application-to-application interface services to many SWB internal legacy applications.

(e) Access to CSRs through Billing Telephone Numbers.

Answer:

In SWBT, within the CSR function, CLECs can perform three functions. One of the functions is auto fetch which allows CLECs to view up to ten bill-on accounts that reside under a Master Billing Telephone Number.

("NDM") and Unix Telis electronic interfaces support this process. The ASR/NDM process is currently being used between SWBT and IXC's for the ordering of Access Services.

SWBT's EDI Gateway provides an electronic interface which conforms to the Ordering and Billing Forum/Telecommunications Interface Forum ("OBF/TCIF") national guidelines. This capability enables the CLECs to electronically submit LSRs to SWBT, receive acknowledgments, confirmations and completion status utilizing the CLEC's user interface.

LEX is a graphical user interface developed for CLECs by SWBT. LEX was designed to operate on Windows™. It allows CLECs to electronically create and transmit resale services and UNEs LSRs to SWBT. LEX also enables CLECs to receive acknowledgments and notification of error details from SWBT, and to track FOC and SOC status of LSRs. LEX is an option for CLECs that wish to utilize national guidelines ordering formats but do not have or wish to establish EDI capability. LEX supports the same types of orders as SWBT's EDI Gateway for resale services and UNEs. Specifically, for resold services, LEX currently enables the CLECs to perform conversions, new connects with basic directory (straight line) listings, changes of service, disconnects, and suspend order requests on a flow-through basis. For UNEs, LEX allows CLECs to submit conversion, new connect, change, disconnect, outside move, and records change orders for unbundled local loops, interim number portability, and switch ports.

- (b) **Directory Assistance through the ACES software system. If DA will not be provided electronically through ACES post-merger, please indicate whether and through which system, electronic input into DA will be accomplished**

Answer:

SWBT does not have an ACES software system. Directory Assistance information is updated via the Service Order.

- (c) **Mechanized Street Address Guide ("MSAG") and SAG**

Answer:

Currently in SWBT, the Street Address Guide database is updated via an electronic download.

- (d) **Mechanical Links to Customer Service Records ("CSRs")**

BEFORE THE ILLINOIS COMMERCE COMMISSION OF ILLINOIS**Docket No.: 98-0555****Data Request Originated By: Nextlink Illinois****Date of Request: October 14, 1998****Question No.: 23****Request for Document No.: N/A****Date of SBC's Response: October 28, 1998****Respondent's Name: James S. Kahan****Respondent's Title and Company: Senior Vice-President, Corporate Development,
SBC Communications Inc.****Question:**

Will Ameritech or the combined entity maintain its current level of staffing in the following divisions:

If not, please provide a detailed description of the staffing level for those centers and a comparison with current staffing levels.

(a) Unbundling Center

Answer:

For the reasons stated in SBC's general statement on post-merger planning (See Response to Nextlink Interrogatory 1), SBC does not have any specific plans regarding the level of staffing in the Unbundling Center and the Network Engineering Control Center (NECC). However, as evident from SBC's commitments to Ameritech, its employees and customers and our actions in California and Nevada following the SBC/PTG merger, SBC is committed to employment opportunities for employees.

On May 10, 1998, Mr. Edward E. Whitacre, Jr., the Chairman of SBC, wrote a letter to Ameritech's Chairman, Mr. Notebaert, in which SBC made certain commitments to Ameritech, its employees and customers. See attached letter. In addition to several other commitments, SBC committed to (i) maintain Ameritech's headquarters in Chicago, (ii) maintain Ameritech's state headquarters in Illinois, and (iii) insure that, as a result of the merger, employment levels in Ameritech's five state region will not be reduced due to this transaction. Mr. Whitacre's letter also affirms SBC's belief that this transaction is based on growth, and SBC fully expects employment levels to increase as a result of the merger.

SBC wants to emphasize to the employees and customers of Ameritech that Ameritech will continue to be operated to the fullest extent possible by the current management team, that the employees of Ameritech will continue to be available to provide the same high quality service which the customers of Illinois have come to expect and that SBC is

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committed to insuring that Ameritech continues to play an important role in the State of Illinois.

SBC is committed to the principle that this merger is about growth. We are committed to providing significant employment opportunities to the employees of Ameritech. In this regard, SBC has committed to ensure that, as a result of the merger, employment levels in Ameritech's five-state region will not be reduced due to this transaction. Ameritech recently announced that it will eliminate 5,000 jobs primarily in its cellular and alarm monitoring businesses. The purpose of SBC's commitment is to ensure Ameritech's employees that this merger will not result in any additional reduction in employees beyond those announced reductions.

SBC's commitment to employees and service to customers is evident from our performance in California. Since our merger with Pacific Telesis Group through August 14, 1998, total employment in California is up more than 2,200 employees.

(b) Network Engineering Control Center (NECC)

Answer:

See 23(a).

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